



MassHealth Fact Sheet – FY10 H.1

Acute Hospitals



Overview

In FY09, MassHealth spent over \$1.1B on fee-for-service payments to acute hospitals. H. 1 includes several initiatives designed to maximize those funds by implementing innovative, value-based purchasing strategies, including innovative payment strategies and community reference pricing. The combination of these purchasing strategies, along with measures like non-payment for hospital-acquired infections and preventable readmissions, will help to ensure that MassHealth purchases only efficient, high-quality services for its members, and reimburses providers fairly for those services.

FY10 Policy Initiatives

Base rate increase

Projected FY10 investment: \$6M gross

- Base hospital rate increase of 0.5%, or \$6M.

Pay-for-performance (P4P)

Projected FY10 investment: \$41M gross

- FY10 H.1 includes an expansion of the funding available to acute hospitals through MassHealth's P4P program.
- FY10 includes \$41M in projected P4P payments for FY09 performance, up from \$13M in FY09 for FY08 performance. It also assumes \$100M in projected P4P payments for FY10 performance (paid in FY11).

Alternative payment demonstration

- As an alternative to fee-for-service payments to providers (which can promote excess care without better results for patients), MassHealth is developing alternative payment demonstrations with interested hospitals, physician groups and other provider groups. This project will establish an aggregate prospective payment to cover the total cost of a defined set of health care services delivered by a provider or provider system for certain diagnoses. The goal of the global payment demonstration is to enhance incentives for providers to manage costs and utilization, integrate services, and focus on quality, as opposed to volume. Development of this model will be informed by the work of the newly created state Commission on Payment Reform. MassHealth will work with the hospital industry to craft these demonstrations.

Reduced outlier payments

Projected FY10 savings: \$10M

- Reduces, but does not eliminate, hospital outlier payments based on use of new payment methodologies that better capture high-cost services.
- Outliers are currently paid at 85% of per diem rate (e.g., if a hospital is normally paid \$100 per day for the first 20 days of stay, they would be paid \$85 for each day in excess of the first 20 days).
- MassHealth will now reimburse providers for outlier payments at 75% of per diem rates (instead of 85%).

Hospital community reference pricing

Projected FY10 savings: \$10M

- This proposal involves collecting relative payment data from industry sources and calculating the most efficient payment level for certain services. MassHealth would only pay the efficient payment level or “reference price.”
- This will result in all providers receiving the same reimbursement for specific services
- MassHealth will work with the hospital industry to identify appropriate pricing policies.

Non-payment for hospital-acquired infections, serious reportable events and preventable readmissions

Projected FY10 savings: \$10M

- MassHealth will stop paying for some hospital-acquired infections and preventable readmissions, as part of the state’s *HealthyMass* initiative.
- This initiative is similar to recent initiatives undertaken by Medicare and some private insurers.
- This initiative builds on MassHealth’s policy of non-payment for certain identified serious reportable events (“never events”).
- MassHealth will work with the hospital industry to institute appropriate non-payment policies.

Specialty hospital rate adjustment

Projected FY10 investment: \$12M

- The investment supports appropriate rates for specialty hospitals.
- Recognizing a number of years of consecutive rate increases, earmarks to increase rates to certain categories of hospitals were removed in the FY09 GAA, because they had grown beyond their original intent. However, this investment recognizes that some rate adjustment for specialty hospitals is appropriate. MassHealth is in the best position to adapt rates to true market conditions, and this proposal gives discretion to the Executive Office of Health and Human Services to identify the unique circumstances of certain hospitals that warrant a modified payment methodology.